



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

March 24, 2016

IG-OO-008

To: Jonathan Hatfield, Inspector General,
Federal Maritime Commission

Re: System Review Report

We have reviewed the system of quality control for the audit organization of FMC OIG in effect for the year ended September 30, 2015. A system of quality control encompasses FMC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. FMC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide FMC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and FMC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed FMC OIG personnel and obtained an understanding of the nature of the FMC OIG audit organization, and the design of the FMC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the FMC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the FMC OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with FMC OIG management to discuss the results

of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the FMC OIG's audit organization. In addition, we tested compliance with the FMC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the FMC OIG's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the office of the FMC OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of FMC OIG in effect for the year ended September 30, 2015, has been suitably designed and complied with to provide FMC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FMC OIG has received a peer review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to FMC OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether FMC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on FMC OIG's monitoring of work performed by IPAs.

Philip M. Heneghan
Inspector General, USITC

Enclosure 1:

Office Locations:

Federal Maritime Commission
800 North Capitol St., NW, Suite 1054
Washington, DC 20573

Engagements Reviewed:

Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices
IPA Oversight, FY2015 Financial Audit